

Exhibit A



Charlie Shrem ✓

@CharlieShrem

Follow

I try to keep my assets balanced like this: 33% crypto - 33% cash, metals & low risk liquid investments - 33% income producing real estate

10:01 AM - 5 Nov 2017 from Sarasota, FL

106 Retweets 431 Likes



47

106

431



Tweet your reply



Charlie Shrem ✓ @CharlieShrem · 5 Nov 2017

*metals

10



41



Farmer @crypto_farmer · 5 Nov 2017

Replying to @CharlieShrem

producing real estate. One word makes a world of difference there!

1



5



Charlie Shrem ✓ @CharlieShrem · 5 Nov 2017

I rent where I live and we have rental properties that produce our living income

3



16



Farmer @crypto_farmer · 5 Nov 2017

Love it! You're living the dream. Great balance.

NYPR Network

SHOWS

SUPPORT US

Death, Sex & Money

 **SUBSCRIBE**

A Bitcoin Mogul Goes Broke

 **LISTEN**

 Download  Embed

October 31, 2017





Charlie Shrem at the Generation Wealth exhibit at the Annenberg Space for Photography
(Katie Bishop)

SUMMARY TRANSCRIPT

Charlie Shrem: In prison, the more of a celebrity you are, the less respect you get. You're judged on who you are as a person, and I like being judged like that because I feel like I'm a I'm a pretty okay person. People liked me and I was judged on that, not on the Bitcoin stuff.

This is Death, Sex & Money.

The show from WNYC about the things we think about a lot and need to talk about more.

I'm Anna Sale.

Charlie Shrem was a millionaire by the time he was 22 years old. Within a few years, he'd lost it all.

I recently talked to him live on stage in Los Angeles. Charlie was an early Bitcoin entrepreneur. He co-founded a company called BitInstant, which helped users convert dollars into Bitcoin.

Then someone started using that Bitcoin to do illegal things on the internet and Charlie knew about it. He was arrested and served a little over a year in prison after a plea deal.

Now Charlie's 27, and he's rebuilding—not just his bank account. He's left the Orthodox Jewish community he grew up in and lives in Florida, with his now-wife Courtney. She met him when he was flying high, then visited him regularly in federal prison.

When we talked, their wedding was just a few weeks away. She sat in the front row while Charlie and I talked.

Anna Sale: Charlie, I want to start with the day you got out of prison. Can you just walk me through that day?

CS: Oh my god. That day...that was a crazy day. So basically what happens is you prepare for this day like, you kind of know about it for a few weeks in advance, you don't know when you're getting out until a few weeks before. You kind of - as you get closer, you kind of know like around the day, and then it changes, and then they don't give you a hard date until a few weeks notice. It's - I don't know. When you're in there more than six months, you have to institutionalize yourself. You have to forget about the world on the outside, you have to forget - you have no internet, no communications, and so you're cut off from the whole world. And when you're about to get out, you're about to like enter back into society. And it was one of the scariest things in the world, because even though I was only in there for a year, I became accustomed to prison life. I was used to it—I had

my friends, I had my daily routine, I had my workouts. The world that I knew existed existed in Lewisburg Federal Prison. That's what my life was. Um, but when you get out, um, what happens is you wake up early in the morning, they take all your stuff, you go into processing, we were just - we were in this big room, waiting for our people to pick us up. And like Courtney - I guess they were late, or on the highway or something, and I was like freaking out, like I'm not getting out, or the government's arresting me again, I didn't know what was going on. And then finally they said they're here, they pulled up in the parking lot, and I just had a box of stuff. And I walk out in like my, my prison uniform, cause you get to keep it, like in my sweatpants, and tee shirt and I'm all jacked up, and um I have my box and I walk into the parking lot and I'm like let's get out of here before they change their minds. You know? And - and then we drove off, and I'm like, [exhales].

AS: Okay, so I want to - we'll get to how you came to prison.

CS: Sure.

AS: But I want to go back to when you were first learning about money as a kid. You grew up in an Orthodox community. Your dad was a jeweler. Your mom, a stay at home mom. How would you describe how you were taught about money when you were a kid?

CS: My father went out of his way to make sure that I always understood the value of a dollar. And he, we were we were upper middle-class growing up in Brooklyn and we had a nice house and I never like had to struggle for food or anything like that. And I went to a good school and um my parents didn't - they didn't do anything to excess. They never just said, here's a bunch of money do whatever you want. It was always like, I had - I had to be accountable for it. I

had an allowance like that gave me like 20 bucks a week or whatever it was for school but I had to be accountable for that money. If I spent it, they wouldn't um give me more. And then what had happened was when I was in high school you know computers started getting big and stuff. I started - people had computer issues at home like printers breaking or routers needed being reset or just things they didn't know how to fix. And I realized that I can provide a good service just being someone that they can call on demand and I charged like 20 bucks an hour or whatever it was and I just fix it and I would be like the SY tech guy. Just being the guy...

AS: SY?

CS: Syrian. Syrian Jewish. That's like the moniker we call ourselves, SYs. Uh I would be SY tech guy.

AS: Uh huh.

CS: We used to go around and fix people's stuff. And one guy paid me to like put a cellphone antenna on top of his roof. And I was like 15-16 years old. And I started making like really good money.

AS: Like how much? Like in high school...

CS: Like a hundred bucks a week. Yeah. It was like - for someone, you know, in high school like that was - I remember I bought my first car when I was a junior in high school. And my parents didn't give me any, like they really - but there was a problem. Are you ready for this? Um I got a credit card in the mail. When I was like 18. The day I turned 18, I got credit, I was still in high school. I had a \$6000 credit limit. And I was I was taking people to Vegas. No, not really but I was I was spending -like the first month I spent it.

AS: And how did - where do you go? How did you spend it?

CS: I don't know! Like pizza stores and and uh just stuff. Like I just I don't even know what did I buy? Just whatever. You couldn't drink at the time, right, I didn't start drinking till I was 21. Um but I just. Just food and stuff for my friends and I tried - oh I took like um lessons to learn how to fly a plane that cost a bunch of money.

AS: Uh huh.

CS: Just stupid things. Stupid things.

AS: Was it a secret from your parents, your credit card?

CS: Yes and no. So they knew I had it but they didn't realize like how much in debt I was getting into. So I got into a lot of debt. I got into like a lot of debt and I turned around and I was like graduating high school and I was like at least \$10,000 in debt and it was a lot for a kid. And I was freaking out. And my father found out because I was actually traveling on a Birthright trip. So I went on one of those free trips to Israel and he I guess he got a letter in the mail and he opened it and he saw that. And he freaked out and he said I'm not bailing you out. Like you have to figure out a way to pay for this. And I said like, dad I'm like - I'm making the minimum payments. He's like but you're still spending the card like - so what my father did was we sat down when I got back and he was furious. So he, we turned off the card. He took the card from me and I got a loan for the full amount on the card and he secured it against the house. So he helped me out in that respect. So the interest rate was lower than that of the card. And I had set payments. It was like 2-300 dollars a month. And I had to make those payments.

AS: To your parents.

CS: No, to the credit card company.

AS: To the credit card company.

CS: Yeah my parents didn't pay it. Like I had to pay it off. And I did, I paid off after two years. And since I was 18 I swore off credit cards and even now like I have one card but my limit is only at like \$3000. I keep it really low.

AS: Really?

CS: I don't like debt. I don't like debt. I have this fear of debt, because I got scarred when I was younger.

AS: You pay with debit cards for everything?

CS: Pretty much. Yeah. Or Bitcoin or cash. Yeah. Yeah I don't I don't like debt.

AS: So is that what caused you when you were a student at Brooklyn College to start, you started a commerce company on the internet...

CS: Yeah.

AS: Was that to try to get out of this debt?

CS: That was part because I was - I was like a closet rebel from my parents very early on. And I realized because they were very religious, like super religious. And they had, they had like. From when I was born, the life was pre-set out for me. I would have, like I would go to school. I would have my father's company. Parents would buy me a

house down the block. I'd have like, pick your wife from these 10 girls. Like, but it would be a good life! A lot of, like my cousins. Some of my old friends, they love it. You know. It's sheltered. You have your whole life set for you and it's great.

AS: Stable.

CS: Stable. But I wanted to have my own way. I wanted to make my own mistakes. I wanted to learn. I wanted to see where life would go. I wanted to leave Brooklyn.

AS: So it was a ticket out.

CS: It was a ticket out. So financial independence was a ticket out. And so one day my cousin over dinner was like, "Hey Charlie, you're really good at computers right?" And I said yeah. He said, "Well we have all this extra stuff in our warehouse. What if you build a web site and you just sold it like and you can have it at cost, just get rid of it?" And I said great.

AS: That's a good deal.

CS: Like I'm not doing anything else, right? So I did that. I literally went to the warehouse with my laptop, I built a website called dailycheckout.com and just I would just start like, they have like a thousand of these old digital cameras. And I'd sell them at cost and make like \$2 on the shipping, right? So I sold it free with \$5 shipping my cost is a dollar and the shipping was \$2 I made \$2. And it really took off. And so I found myself getting calls from a lot of other warehouses saying hey, we have all this extra stuff. Can you sell it for us? So I didn't have to take on any risk and it was really good. I mean for an early college and I was making like 600 dollars a week, which

was which was pretty good money um back then. And so - it still is good money. And so I mean I was making this money. I was saving it, I was paying off this debt. I was traveling. I had financial independence, except for the fact that I was like living at home and I could have moved out, like I had - it wasn't about the money, but I needed my parents' - I always felt that I needed my parents' blessing. Like I couldn't get over that like I couldn't get over that religious hurdle. I couldn't get over it. I couldn't fully leave and not look back. Because I knew once you, once you leave my community, you can't go back. That's it. I was excommunicated, and my parents held like a funeral for me. Legit. I was completely ex-communicated. I didn't go to my sisters' weddings. My parents won't be at my wedding. You - you - but I made that decision. But it took me a long time to make it. Um and I had a lot of resentment. I did. I was super angry. My parents visited me once in prison, they never came back. They never sent me money. They never - and I and I held a lot of anger. But I realize that life is too short to hold resentment.

AS: So it strikes me that you're - you have two things happening in your life at the same time. You're in Brooklyn College. You're trying to figure out your relationship to your family, you're trying to figure out how much distance you can allow from them for yourself. And you're also realizing that there's pathways for you to make more and more money.

CS: Yep.

AS: Did making more money, and seeing that you could make a lot of money through Bitcoin and through BitInstant accelerate your pulling away from your family?

CS: It did. Um, all of a sudden, I went from having this one family,

and now I have this new family. The Bitcoin community. I grew up in a very like, I was telling you earlier, in a very sheltered and closed-off community where it's more it's like ethnocentric. They believe that they are the best and everyone else is inferior to them. So that's the way I was raised, and I saw a lot of moral, like issues with that. And I really struggled with that and I was one of the reasons I had to leave. Um, but the Bitcoin community was a - especially back then when it was still so small. It was a real life working example of a community where everyone was equal because we all had our common agenda of revolutionizing the financial system.

AS: Just that. (Laughs)

CS: Just that. Like that was our agenda. Our agenda was that. Didn't matter who you were or what you were, we were all a big family.

AS: What during this period before you went to prison and in Fortune Magazine your fiancée is quoted as saying during that period you were a little arrogant.

CS: I was more than a little arrogant, yeah.

AS: Like, in what way? Was it, were you arrogant because all of a sudden you felt like you had stumbled upon this thing that was increasing in value and you had a lot of money and you had figured this thing out before other people had?

CS: I don't know if it was like that. I just - picture this. I was like 22 years old. I had half a million dollars sitting in the bank.

AS: Like in a savings account?

CS: Like just in a checking account. Just whatever.

AS: Not even in a savings account!

C: No, I had no expenses. Like no overhead. I owned a nightclub. I lived above it. I was dating a beautiful girl. Like, life was great. I would walk around like my shit didn't stink. That's what it was.

Coming up, Charlie finds out that someone is using his company to move money on Silk Road, the underground website where people bought drugs, fake IDs, and child porn. And he reaches out to that person. In writing.

CS: I wrote an email saying like, I know you're on Silk Road I know you're reselling these Bitcoins on Silk Road. Like you better stop, or else, you know, you better calm down. That's what I sent him, and that e-mail was the smoking gun because that email I admitted that I knew what he was doing.

After having this conversation with Charlie, and hearing all your reactions to our episodes about Alice the shoplifter, we have been thinking a lot about money, class, and social mobility—and how hard those things are to talk about.

And you have been too. A listener who asked to go by Monica recently emailed us. She said she identifies as upper-middle class now but she grew up in public housing and didn't always have enough to eat. "I have been on both sides," she wrote. She continued, "Our class shapes our morals and views around money greatly...The idea of social class is taboo in the U.S. yet it determines so much about how we deal with and have access to money, sex, and death."

So we want to hear how you think about class—social, economic—however you define it. Send us your stories about a time when you felt particularly aware of your class, whether it's a time when it changed, or when you noticed how different you felt in relation to people around you.

Send us an email or record voice memo and send it to a special inbox: class@deathsexmoney.org. There's also a link on our Facebook page. Again, send your stories to us at class@deathsexmoney.org.

On the next episode, I talk to journalist Lisa Ling about growing up on national television, and

what her childhood taught her about sex and relationships.

Lisa Ling: Being raised primarily by a man made me very, you know, man-like in many ways. Like I never really felt inhibited about just going up to a guy and asking him if he wanted to have a drink or whatever. And I think that one of the reasons why I always was able to date the guys I wanted to date was because I didn't wait for them to ask me.

--

This is Death, Sex & Money from WNYC. I'm Anna Sale.

Charlie Shrem was arrested by federal agents at JFK Airport in January 2014, when he was flying home into New York. He was charged with money laundering and operating an unlicensed money transmitting business.

Before he was arrested, Charlie told me, worries about legal trouble had already prompted him to shut down his business, BitInstant.

CS: My lawyers basically said well, like you know, the company is getting to a point where a lot of people are you know—not a lot of people, but this one guy is buying Bitcoins and reselling them on Silk Road. And - because that's what it was, this guy was a customer of ours and he bought Bitcoin and then he would then resell those Bitcoins on Silk Road so then those people would then go buy drugs and stuff like that. And I knew about it. I did. And I didn't really care and I was a young kid. I didn't really care enough to stop it, because I was making money. And um my lawyers eventually sent me a letter and they said, if you don't shut the company down right now we can't represent you anymore. So we shut down the company. That day, it was like July 3, 2013. And we put this thing up on BitInstant and we said sorry, like, we're shut down. No one lost any money, it was it.

And so I thought I was good, because we shut down the company. My hand wasn't caught in the cookie jar. And then it wasn't like eight months later is when I got arrested.

AS: *I want to know a little bit about your time in prison.*

CS: Sure.

AS: *Who were your friends?*

CS: *Oh I had - there's no such thing as friends in prison. It's like people who have aligned agendas to you. That's what it's more like. Because at the end of the day like everyone is in it for themselves. Everyone wants to go home to their families. So you're - you don't really have friends but you're living with a guy for a year next to him in the same bunk. Obviously you're gonna, you know become, like have like a relationship with a guy like you're going to become friends with him and when he has issues with his family or you do, you confide in each other. Um a lot of other people helped me out. Like this is one guy I remember every cell has a light and I like to read. I read 137 books that year. I read a lot. I was reading. I don't have a book light. So I kept my cell light on and he wasn't - I forgot where he was. So I had the cell light on and all of a sudden this like huge guy, just like, he's known as like a leader of some crew walks into my cell and walks up really close to me and I'm laying on my top bunk. Right? And he's a tall guy. He comes up all right to my face. And he says, "Hey Shrem, you know we're trying to sleep right now. And your light's on really bright." And I'm like shaking, right. He goes, "Here borrow my book light. Give it back to me when you get your own." I'm like oh my God! But he was like - there are a lot of really good people in there who made mistakes. And when you're in prison it's not like TV where everyone's like oh I'm innocent. Everyone tells you they're*

guilty. I'm guilty. Because to say you're innocent minimizes all that hard work you're doing to get out. I, I hate when people come to me now and they say, "Oh well you know you shouldn't have been convicted and it was you know stupid crime and the government..." Don't say that. I was guilty. I did my time. I worked my ass off to do that time. And I moved on now. I'm over it.

AS: Was it hard to walk away from being able to watch the valuation of Bitcoin and to know how much money you had and what your net worth was?

CS: Yeah. (Laughs) Well, so I didn't have much because I got like the best - I got Dominique Strauss-Kahn's lawyers. I got the best lawyers you can possibly get but they cost hundreds of thousands of dollars. I walked into prison with sixteen thousand dollars to my name. I was almost wiped clean. Um so when I was in there I told people, like don't tell me what the price of Bitcoin is. Like don't tell me that stuff, I don't want to know. You can tell me news and things, but don't. Like some people were telling me, "Yeah every day I'll email you or I'll send you a letter what the price of Bitcoin is." I was like don't. Don't do that. Sometimes I would ask but other than that don't, I don't want to know.

AS: Did you still have Bitcoins that you owned when you went into prison?

CS: Very few, like three or four.

AS: So you come out of prison. When did you look at your bank account, like to see how much money -

CS: I didn't actually turn on a computer for two months. For two and

a half months. I didn't get a cell phone and I didn't turn on my iPhone. I didn't tell anyone I was out. I told you. I was weird. Like I wasn't ready.

AS: What was it?

CS: What do you mean?

AS: Like what - why the hesitancy to engage?

CS: I just wasn't ready. I wasn't ready to tell the world I was out. I wasn't ready to go on the computer. Check my email. Tens of thousands of emails waiting for me. Like I just I wasn't ready. Um I enjoyed waking up every morning, having the coffee. I worked as a dishwasher at a restaurant. I had to maintain a real job for six months.

AS: And what counted as a real job?

CS: Anything that's not on the internet, like a physical job that they can come and see you in rural Pennsylvania. The only job I can get was a dishwasher at a restaurant. And at the time I was like this sucks. But in hindsight it was one of the best experiences. Like I thought prison was humbling. Being a dishwasher 11 hours a day. Going being from a millionaire just literally washing dishes for 8 dollars an hour. And you couldn't quit. If I quit, I'd go right back to prison. I had to be there and they would come visit me. They'd call the job, is Shrem there?, they would call me in the middle of the night. "Are you home?" You had a curfew 9 o'clock every night they would call you. Where are you, are you home? You need to be accountable. I loved it.

AS: And was - was there behavior when it came to money that

you didn't want to resume when you were reentering, that you felt like was destructive or amoral before you went into prison?

CS: In prison, everything is given to you. You have shelter, you have food, you have a shower, you have water. You have your friends. You don't need to spend a dime. Everything you need to spend money on a prison is like extra. So you just kind of go about your day and do your job and hang out with your friends and play cards and eat and work out and you don't have to worry about money. You don't have to worry about paying bills. You don't have that electric bill coming. You're part of a social collective in there, where you're all the same. I guess a part of me didn't want to resume that normal life of like paying the bills, paying rent. Paying a cell phone bill, being a slave to money again. I didn't want to go back to that. I'd be - moreover in prison, than even when I was wealthy before, I became financially independent in prison, because I didn't have any dependencies. I didn't have people that I had to pay for, and I didn't have anything to pay for myself. I just wanted to be in my shell and my bubble for a little while longer in Pennsylvania where no one knew who I was and life was just easy and good and not stressful.

AS: Um, I asked you backstage how many Bitcoins you own. The current value is 4,000 dollars. You wouldn't tell me.

CS: Yep. That'll put a target on my back.

AS: [Laughs] When you think, like when you're like thinking in the back of your mind like, how much money do I have? Like when you're thinking, you know, in one of those moments where you're like do-nuh-nuh like doing the math. What's my net worth? What percentage is in actual dollars and what

percentage is like Bitcoin?

CS: Uh, good question. So I'm trying to do where it's - I'm investing, I'm taking a lot of Bitcoin and selling it as the price goes up and putting it into real estate, especially down in Florida where we live. I'm trying to get like rental properties to rent out to renters obviously. And so I would, I'm comfortable where it's, where it's like 33 percent fiat, 33 percent Bitcoin, 33 percent property. Real estate.

AS: That's where you're comfortable.

CS: That's where I'm trying to get to. I'm about, I'm about that. About that because then if Bitcoin goes to zero, which it's an experiment, it could. I won't be on the street. A lot of people have like ninety-five percent of their wealth in Bitcoin. And great for them, I'm happy. But I got to be smart. I'm getting married, we'll have children eventually, I can't, you know I can't do that. I can't take, I can't speculate with my rent.

AS: One final question from me before we part. You're getting married in four weeks. Do you plan on combining your finances as a family or keeping them separate?

CS: Yep. We already have joint accounts. Yeah we already. Uh that's our money. Um we have friends who are like engaged and stuff and money is like a huge taboo. They're afraid to talk about it. They don't know how to deal with it between each other, joint bank account like whose money, is it my money is your money? It's - and it's a reason for a lot of divorces. And so we are completely open with each other about it. She knows how much money we have at any given time. She

has access to all of it if she needs it. God forbid, like...she has her own Bitcoin. And we have a good system and it works and so there's no, it's all fair and equal. And we have we don't worry about it. But she's great though. She'll go into a store and spend \$100 and get 15 outfits. I don't know how she does it. So I -

AS: (Laughs)

CS: I don't know how you do that.

That's Charlie Shrem. He's an executive with a technology company now. And based on my time with him, he's also regularly monitoring the value of Bitcoin on his phone. Charlie and Courtney got married in September, after relocating their wedding because of Hurricane Irma.

Thanks to the team at the Annenberg Space for Photography for hosting us in LA. We recorded this conversation with Charlie there, in conjunction with an exhibit called Generation Wealth. That's a collection of photographer Lauren Greenfield's work that explores the changing ways that people across the globe are showing off their wealth. It's really great. You can see that exhibit in New York City at the International Center of Photography until January 7.

Death, Sex & Money is a listener-supported production of WNYC Studios in New York. I'm based at the Center for Investigative Reporting in Emeryville, CA. Our team includes Katie Bishop, Anabel Bacon, Emily Botein, and Andrew Dunn.

The Reverend John Delore and Steve Lewis wrote our theme music.

I'm on Twitter @annasale, the show is @deathsexmoney.

And don't forget to send us your stories about class, and the moments when you've been most aware of your class status. Email your story or send us a voice memo to class@deathsexmoney.org

There may not have been actual money in prison, but Charlie says there *was* a system of currency, based on packets of mackerel.

CS: And things were denominated in mackerel, like a haircut is two macks. If you want a pie of pizza, this guy'll make you a pizza in the

microwave that's six macks, you could hire a personal trainer...

AS: Really?

CS: Yeah you can hire a personal trainer for like a mack a week, two macks a week.

I'm Anna Sale, and this is Death, Sex & Money from WNYC.

Hosted by Anna Sale

Music Credits: "If" by Broke For Free



Produced by WNYC Studios

Follow the show



Produced by WNYC Studios

© 2018 WNYC Studios

UNCATEGORIZED

It's All About the Bitcoin, Baby

Led by boy wonder Charlie Shrem, New York techies look to take cryptocurrency legit.

By Jessica Roy · 04/30/13 7:34pm



At his recently opened gastro lounge in Midtown Manhattan, 23-year-old Charlie Shrem stood beside the lower-level bar as dazzling TV camera lights illuminated his slight frame. Dressed in the professional uniform of tech startups everywhere (jeans, a T-shirt and a blazer), he appeared to be soaking up his moment in the spotlight, which is due almost entirely to the media's sudden interest in bitcoin, a new digital currency.

Short in stature, Mr. Shrem calmly squared his piercing green eyes to the camera lens and began explaining the complex nature of bitcoin to the video crew from the blog *The Street*. They were there to film a segment on Mr. Shrem's new venue, EVR (pronounced "ever"), in which he purchased a stake thanks in large part to his investments in bitcoin, and which, in early April, became the first bar in New York to accept bitcoin as a form of payment.

When *The Observer* arrived at EVR, which has that pseudo-swanky vibe of a mid-aughts celebrity haunt, we took a seat in one of the leather booths that line the bar's perimeter and waited for Mr. Shrem.

"I've made a decent amount, just because I'm a smart investor," Mr. Shrem said, finally joining us in the booth. "Every time the price [of bitcoin] is up by 20 percent, I'll sell a few hundred coins, or whatever it is."



New ultrasonic device repels pests (rodents, spiders, roaches, etc) away from your home.

 antipestrepeller.com

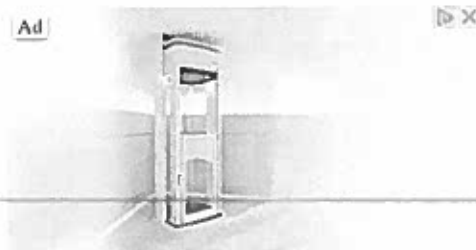
[VISIT SITE](#)

EVR's employees are still adjusting to the bar's alternate payment system. (*The Observer* overheard at least one lithe brunette waitress asking Mr. Shrem to explain bitcoin to her.) Here's how it works: when a patron wants to buy a drink with bitcoin, the bartender will present him or her with a tablet that's running BitPay, a service that allows merchants to process bitcoin transactions. BitPay spits out a barcode that says how much the drink is worth in bitcoin, and then the customer uses his or her phone to scan the barcode, automatically deducting the amount from his or her bitcoin account. So far, Mr. Shrem said, the bar has done \$20,000 worth of transactions in bitcoin, though he admitted the clientele hoping to use bitcoin is often "nerdy" and "start-uppy."

"Silicon Alley's down the block," he reasoned.

Mr. Shrem's bitcoin business extends beyond the bar as well. He is the CEO of New York's biggest bitcoin startup, BitInstant—which makes it easy for people to quickly transfer bitcoin funds—and he has become the New York tech scene's newest boy wonder, having snagged press from The New York Post, CNN and New York magazine. Though he still lives in his parents' basement (he said he hasn't had time to look for a place), Mr. Shrem claims to have made more than a million dollars off of his bitcoin investments. Last month, Bloomberg Businessweek dubbed him one of the "bitcoin millionaires."

It's not just the media paying attention, though. Players in the tech and finance scenes are starting to take notice, and Mr. Shrem pulls out all the stops to ingratiate himself in order to promote the gospel of bitcoin. Mr. Shrem said he has spent \$8,000 in bitcoin just in the past month on bottles of liquor and reserving tables for clients he wants to woo at EVR.



Stiltz Residential Elevators. The Home Elevator That Fits In Easily And Is Easy To Fit

Stiltz Stiltz Lifts

[VISIT SITE](#)

"I bring a lot of clients here," Mr. Shrem said. "I won't hire you unless I've either had a drink with you or smoked weed with you. That's just my rule."

The explosion of interest in bitcoin has also upped the 23-year-old's flirting game. "I met this girl at the bar the other night," he recalled. "She vaguely knew about bitcoin, but she didn't know how it worked. So I set her up with [some bitcoin] and told the bartender, 'She's going to pay for her drink in bitcoin.'"

"She did it, and she was like, 'Wow, this is amazing. And then she tweeted it,'" he said.

Mr. Shrem still has some things to learn when it comes to the dating scene, though: "I forgot to ask for her number."

Created by a Japanese programmer named Satoshi Nakamoto (a pseudonym) in 2008, bitcoin is what's known as a cryptocurrency. It's both a decentralized currency and a payment system that exists entirely online, allowing users to exchange money anonymously. How much a bitcoin is worth in dollars is determined by the market. At its peak a few weeks ago, bitcoin was trading at \$260 a coin on Mt. Gox, a bitcoin trading platform, before the bubble burst and it shot back down to \$60, eventually settling somewhere around \$100.

Like all currencies, including the U.S. dollar, bitcoin is legitimized because people have agreed to treat it as a means of securing goods and services. And thousands of companies both online and off have begun accepting it as a form of payment, many with the help of companies like BitPay, which CEO Tony Gallippi says is a payment gateway, like a credit card company, for merchants to accept bitcoin.



New sock is helping millions of seniors turn back the clock on their aging, aching feet.



socksoothers.com

VISIT SITE

"Bitcoin is an accounting ledger in the cloud," Mr. Gallippi explained by phone, noting that BitPay signed up around 100 to 120 merchants per day in April. "When you store your money in the cloud, it's independent from any bank, so you can access it 24/7 from anywhere in the world. To send money from one person to the other, you send money from your account in the cloud to another person in the cloud."

Because there are no banks or credit card companies brokering bitcoin transactions, the fees to transfer them are nominal, making bitcoin a triumphant concept among Occupy Wall Street and libertarian types alike. When Cyprus froze some citizens' accounts as part of a bailout deal, interest in bitcoin soared, since it is a currency that can't be controlled or seized by the government. Cyprus soon became the first country to have a bitcoin ATM.

Bitcoin can also be spent anonymously, making it the perfect currency for purchasing drugs and sex on the black market, or the "deep web," which can only be accessed through a special anonymized browser called Tor. (This makes it more difficult for authorities to track down both sellers and buyers.) Other sites on Tor sell firearms, which are available for purchase via bitcoin. Amateur porn stars have waded into the bitcoin waters as well, charging men to watch them strip on camera.

"It's a lot easier to maintain some level of anonymity with bitcoin," Nicolas Christin, the associate director of Carnegie Mellon's Information Networking Institute, told the Huffington Post a few weeks ago. "It makes it more difficult for someone looking into this to identify the participants of a transaction."

Even at EVR, paying in bitcoin can offer customers a more anonymous experience than paying with a credit card might. "I was talking to some guy and he was like, 'Yeah, my wife doesn't like me coming and drinking, so now I can pay with bitcoin,'" Mr. Shrem said. "No one can see the transaction, so that's kind of appealing to him."

But bitcoin evangelists like Mr. Shrem have worked hard to legitimize the currency by establishing businesses that function much like traditional banks or credit card companies, demystifying a currency that was once seen as something used solely by shadowy hackers.

Its recent buzz in the press has also helped bitcoin shed its black-hat shackles, as respectable businesses, including many popular websites like WordPress, OKCupid and Reddit, have begun accepting it as a form of payment. Offline, there is a surprising variety of items available for purchase with bitcoin: everything from houses to Domino's pizzas. The hotel chain Howard Johnson will rent you a room in exchange for bitcoin. A Class Limousine, a black car service in New York, has started taking bitcoin payments. A few weeks ago, a Brooklyn man put his Mercedes up for sale on Craigslist and was willing to accept bitcoin. "It's booming!" the salesman told *The Observer*. "It's worth the same as money, so who cares?"

In early April, *The New York Times* reported that Cameron and Tyler Winklevoss, the famous Facebook-claiming twins, own 1 percent of all bitcoin, further compounding the currency's hype. Around that same time, Andreessen Horowitz, one of Silicon Valley's most storied venture capital firms, announced its intention to invest in its first bitcoin company, OpenCoin.

On a recent trip to Silicon Valley, Mr. Shrem said that investors were practically falling over themselves to get a piece of the bitcoin pie.

"I went to Sand Hill Road in Silicon Valley, and every investor knows what bitcoin is and they're all trying to invest," Mr. Shrem explained. "Lightspeed, Greylock, Fred Wilson's company [Union Square Ventures]—they all want to get involved, it's crazy. And I'm like, 'Guys, where were you two years ago?'"



BitInstant is headquartered in a small office in the Flatiron District, where the company's handful of employees frequently work from couches and plastic chairs clustered around Mr. Shrem's desk. According to Alex Waters, the company's CIO, the bitcoin scene in New York—and beyond—is made up of three primary components.

"You have bitcoin purists, who are just about bitcoin because it's a technology that will help the world," he said, explaining how some evangelists believe bitcoin will allow citizens of third-world countries to protect their money, free from the interests of financial institutions. (As the popular site We Use Coins puts it, "There's no wallstreet [sic] banker getting rich by standing between you and the people you want to send and receive

Mr. Shrem

money from.”)

The second group, Mr. Waters continued, comprises those who are politically motivated. “A lot of libertarians,” he said.

As for the third group: “You have people with profit incentive. They want to be involved in bitcoin to make a lot of money.”

Mr. Waters and his BitInstant cohorts consider themselves purists. “We believe in bitcoin as a philosophy, as a means to help the world,” he offered.

When *The Observer* asked who the key figures in New York’s burgeoning bitcoin scene are, Mr. Waters, Mr. Shrem and BitInstant’s CFO Sam Mindlin paused a moment before concurring: “Us.”

It’s not hard to see Mr. Shrem as a man of the moment, especially inside the confines of EVR, where on a recent Saturday night you might have noticed him sitting in the back corner booth, surrounded by coltish young women teetering on dangerously high heels. The booth’s table was cluttered with top-shelf beverages: Patron, Grey Goose and Perrier-Jouët champagne.

Despite the stereotypical Midtown club scene—outside, a line of scantily-clad women clutching Marlboro Lights stretched down the block—Mr. Shrem had established his corner booth as a place for fellow bitcoiners to congregate. There was Josh Rossi, who’s working on organizing an open-air bitcoin exchange in Union Square; Yifu Guo, who helped create the first custom-built bitcoin miner; and Jonathan Mohan, who organizes a weekly bitcoin meetup in NYC.

“I had to get money from my mom to start this company,” Mr. Shrem told *The Observer* when we headed out for a cigarette. “No investor would give me anything. And now they all want in.”

These days, members of the New York startup scene speak in reverent tones about Mr. Shrem. “Charlie wears the [passwords] to his bitcoin account imprinted on a ring around his finger,” one bitcoin insider told *The Observer*. “I heard his co-workers call him ‘four-finger Charlie’ because they joke people will want to cut his finger off to get the key. If the price keeps going up, he could have a million dollars in that ring!”

But it’s hard to say how long the champagne will keep flowing. Nick Colas, chief market strategist at ConvergeX Group, a trading and brokerage firm, says that the bitcoin ecosystem has one major flaw that could threaten to bring down the whole operation: security.

“The core bitcoin architecture is a very robust system and so far has never been hacked,” Mr. Colas said. “It’s a very distributed system, so you’d have to hack 10,000-plus servers simultaneously, which is highly unlikely—that’s the appeal of the infrastructure. However, everything around is at risk.”

Mr. Colas cited the recent example of Instawallet, an online service for storing bitcoin, which was hacked in early April and was shuttered indefinitely as a result. And Mt. Gox, the Bitcoin trading platform, received so much volume during the recent bubble that it had to shut down for 12 hours.

"A lot of infrastructure updates are needed if bitcoin is going to grow," Mr. Colas added. Plus, there's a lot of debate within New York's financial community over whether or not bitcoin is a worthy investment. "The currency has as many proponents as it does detractors," Mr. Colas admitted.

Mr. Shrem prefers a more positive outlook. "The space is really exploding and a lot of crazy things are happening," he said as we surveyed the hip crowd congregating outside EVR. Shiny-haired girls with smoky eyeliner huddled together, their fur coats merging into one big mass.

"None of these people know what bitcoin is," he said, gesturing to the crowd. "But they will soon."

Filed Under: Business, Bitcoin, Cash Money, Charlie Shrem, Bitinstant, Bitpay, Tony Gallippi, Sam Mindlin

SEE ALSO: Elon Musk Twitter Hoax Claims Users Can Pay for Teslas With Bitcoin

SPONSORED STORIES



Only 1 In 10 Americans Can Name All These 1980s Icons

@TopxStars



Rarely Seen Young Donald Trump Photos Really Captures A Different Side Of Our President

Home - Jettlaggin



If You Get 18/20 on This Quiz, Your History IQ is 140

Offbeat



30 Strict White House Rules Melania Trump Has to Follow

Ice Pop



Constant Fatigue Is A Warning Sign – See The Simple Fix

Health Headlines



20 Former NFL Stars Whose Weight Loss Left Them Unrecognizable

The Sports Drop



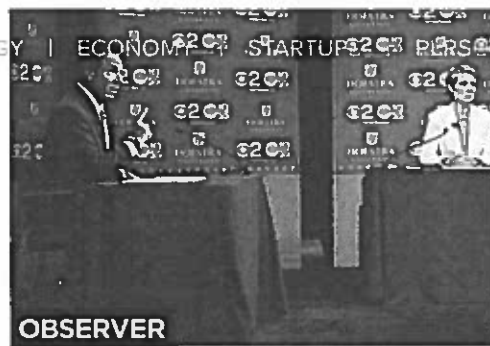
Chiropractors Baffled: Simple Stretch Relieves Years of Back Pain...

healthhacktips.com

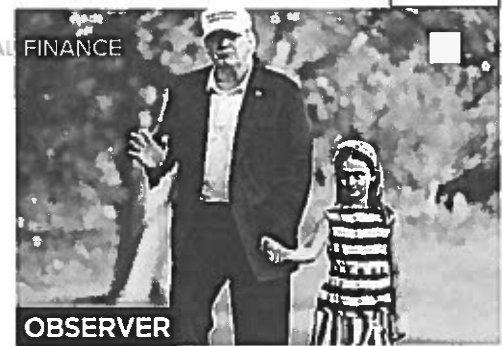
Subscribe



Warren Buffett Has Found His First Major Startup Bet



NY Times Under Fire Over Gendered Cuomo-Nixon Debate Language



Donald Trump's Instagram Is Strange and Lazy Beyond Fox News Reposts



Trump Thinks Google's Algorithm Is Biased—Here's Why It's...



Self-Regulating Digital Currency Is a Great Idea—If It's Done Right



Are Your Employees Recording You, Too?



These 7 Democrats Used Jack Dorsey's Twitter Hearing to Troll...



The Dark Secrets Behind Donald and Melania Trump's Marriage, Revealed

Auto Draft | The Cheat Sheet



[Gallery] The Queen Has Met With 12 Presidents, Here's Who Messed Up

pastfactory



Do This Daily To Firm Your Skin
Health Headlines



The Incredible Life Of John McCain In Photos
Jetlaggin



This Image Has Not Been Edited, Take A Closer Look
DailySportX



How Your Investment Portfolio Could Benefit from Commercial Real...
realtymogul.com/reit



[Pics] Wisconsin Hunter Decided To Check On His Traps Only To Find The...
Nocartridge



OBSERVER

Despite Trump's Serial Tariff Hikes, the US Trade Deficit Keeps Widening



OBSERVER

Merriam-Webster Just Added These 12 Tech Terms to the Dictionary



OBSERVER

Aston Martin, the Iconic James Bond Car, Mulls IPO to Break Bankruptcy Curse



OBSERVER

There's Another Celebrity App With a Dumb Name That Nobody Wants



OBSERVER

Dropbox CEO Drew Houston Discusses How to Successfully Take a...



OBSERVER

Congressional Candidate Fights Boston Globe's Use of Gamer Photo

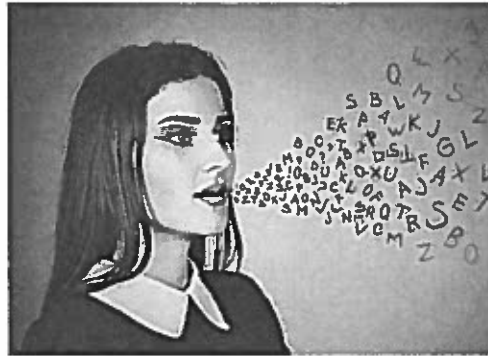


OBSERVER

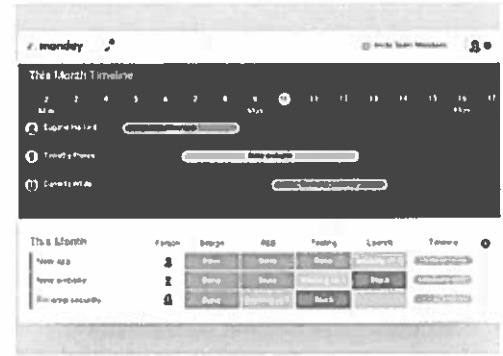
Does Elon Musk Have Too Much Power? Some Key Tesla Investors...



These Are the Most Narcissistic Presidents and How Donald Trump Compares
The Cheat Sheet



How this revolutionary app can teach you a second language in just 3 weeks
Babbel



Goodbye, Gantt Charts. Say Hello To The New Timeline!
monday.com



John McCain and the Photos That Reveal His Incredible Life
The Cheat Sheet



[Pics] Survival Myths That Could Actually Put You In Danger
SportPreacher



California: Say Goodbye To Your Mortgage If You Have No Missed...
The Mortgage Savers

Unknown Rule in Your City, U.S.
Comparisons.org



'Most Worthless' US Government Agency May Become Trump TV



Elon Musk Ditches Tesla's Go-Private Plan, Saying It's Not About the Money



How Elon Musk Fits Into a Tech Bro's 'Simple' Plan to Fight Climate Change



Voters Want Supreme Court Arguments Televised, But Justices...



Not Even the No.1 Made-in-USA Car Is Immune to Trade War Damages



Trump Wants White House Videos to Be Like 'The...



Did Sony Make and Sell Fake Michael Jackson Songs? The Answer...



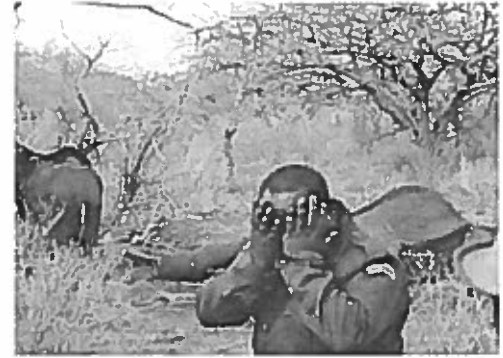
Donald Trump's Body Language Reveals 15 Surprising Things

The Cheat Sheet



[Pics] The 375 Pound Bear's Reaction To The Man Who Saved Him From Drowning Is Priceless

Creative Timez



[Pics] This Mama Elephant Gave Birth To This And It Took Everyone By Surprise

Science Glory